

**WAVERLY-SHELL ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS & QUESTIONED COSTS

JUNE 30, 2007

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WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2006 Election)

Dale Emmert	President	2007
Cheryl Elsbury-Reiher	Vice President	2006
Becky Kemming		2006
Jason Leonard	(Resigned July, 2006)	
Dennis Epley		2008
David Sage	(Appointed July, 2006)	2006

(After September, 2006 Election)

Dale Emmert	President	2007
Cheryl Elsbury-Reiher	Vice President	2009
David Sage		2008
Nancy Luebbers		2009
Dennis Epley		2008

School Officials

Jere Vyverberg	Superintendent
Dennis Stufflebeam	District Secretary
Linda Hildreth	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
Waverly-Shell Rock Community School District:

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of Waverly-Shell Rock Community School District, Waverly, Iowa as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

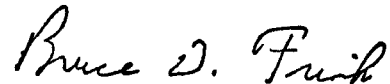
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock Community School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated March 6, 2008 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 8, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organization is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bruce D. Frink
Certified Public Accountant

March 6, 2008

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Waverly-Shell Rock Community School District's Comprehensive Annual Financial Report presents its "discussion and analysis" of the District's financial performance during the fiscal year ending June 30, 2007. Please read it in conjunction with the District's financial statements.

2007 FINANCIAL HIGHLIGHTS

- The District had revenues of \$15,056,091 and \$15,086,329 was spent during the year. The District's financial solvency ratio as of June 30, 2007 was 13.27%. The financial solvency ratio as of June 30, 2006 was 14.02%.
- The District experienced a decrease in certified enrollment. The September 2005 enrollment was 1873.2, while the October 2, 2006 enrollment was 1855.3.
- The number of net open-enrolled students decreased from 78.3 in fiscal year 2006 to 73 in fiscal year 2007.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District. The District took in over \$90,000 in tuition, from neighboring districts, that sent students to Waverly-Shell Rock's alternative high school.
- The District continued to share a physical education teacher and a guidance counselor with the Janesville Consolidated School District. This has allowed for some cost savings.
- The voters of the Waverly-Shell Rock Community School District approved an extension of the School Infrastructure Local Option (SILO) Tax at a vote on February 20, 2007. The vote extended the SILO Tax From July 1, 2014 to December 31, 2022; when the current SILO Tax law sunsets. The vote passed with 75% of the voters voting for the tax extension.
- The State of Iowa deducted a total of \$54,312 from the State Foundation Aid payments to the District to help support the state's juvenile homes during fiscal year 2007. The State of Iowa had deducted \$118,187 during the 2006 fiscal year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Waverly-Shell Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Waverly-Shell Rock Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Waverly-Shell Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Waverly-Shell Rock Community School District Annual Financial Report

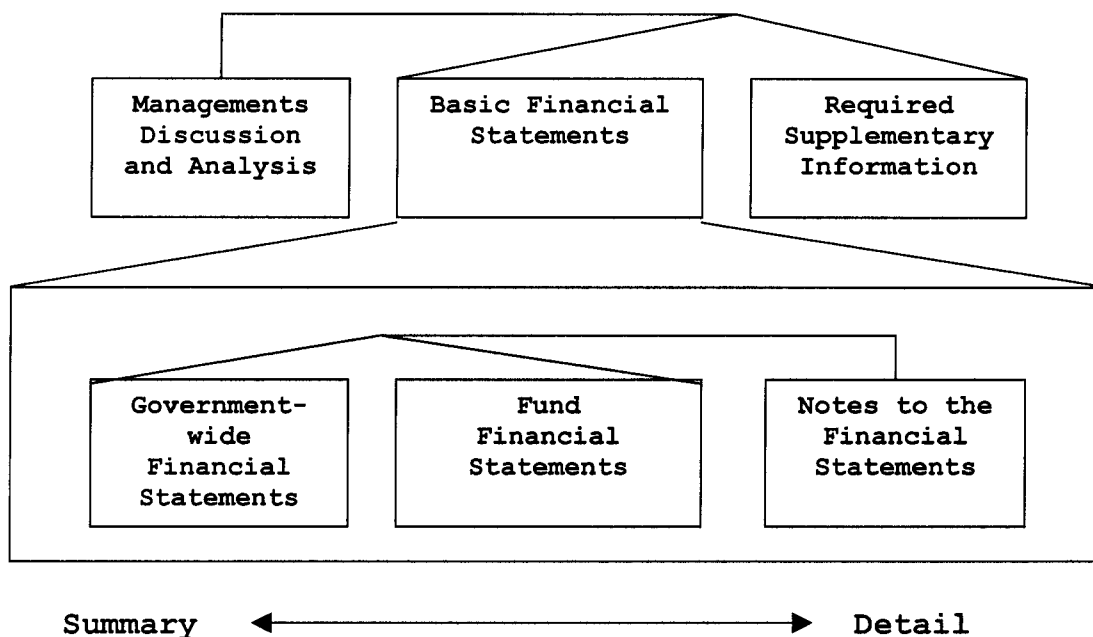


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses; food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a statement of revenues, expenses, changes in net assets and a Statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- *Private-Purpose Trust Fund* - The District accounts for outside donations for scholarships for individual students in this fund.
- *Agency Funds* - These are funds through which the District administers and account for certain federal and/or state grants on behalf of other District's and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
	\$	\$	\$	\$	\$	\$	
Current assets	10,676	13,847	222	172	10,898	14,019	-22.26%
Capital assets	10,823	6,817	77	86	10,900	6,903	36.67%
Total assets	21,499	20,664	299	258	21,798	20,922	4.02%
Current liabilities	7,330	6,878	13	30	7,343	6,908	5.92%
Non-current liabilities	4,923	5,667	-	-	4,923	5,667	-15.11%
Total liabilities	12,253	12,545	13	30	12,266	12,575	-2.46%
Net Assets							
Invested in capital assets, net of related debt	6,208	1,347	77	25	6,285	1,372	78.17%
Restricted	810	4,237	-	-	810	4,237	-423.09%
Unrestricted	2,228	2,535	209	203	2,437	2,738	-10.99%
Total net assets	9,246	8,119	286	228	9,532	8,347	14.20%

The District's combined net assets increased by 14.2% over the prior year. The largest portion of the District's net assets are capital assets. This is due primarily to revenue bond proceeds for the construction of an addition to the High School which will be spent in fiscal year 2007.

Invested in capital assets (cost of land, buildings and equipment less related debt) increased by \$4.9 million, construction costs being incurred on the high school addition.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$3.4 million from the prior year due to spending revenue bond proceeds.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased by \$30,000.

Figure A-4 show the changes in net assets for the year ended June 30, 2007 compared to the year ended June 30, 2006.

Figure A-4
Change in Net Assets
(Expressed in Thousands)

(Expressed in thousands)						
Governmental		Business type		Total		Total
Activities		Activities		District		Change
2007	2006	2007	2006	2007	2006	2006-07
\$	\$	\$	\$	\$	\$	
1,366	1,488	675	662	2,041	2,150	-5.07%
2,524	3,126	268	272	2,792	3,398	-17.83%
600	-	-	-	600	-	100.00%
5,410	4,863	-	-	5,410	4,863	11.25%
597	1,027	-	-	597	1,027	-41.87%
1,076	950	-	-	1,076	950	13.26%
6,797	6,439	-	-	6,797	6,439	5.56%
15	28	-	-	15	28	-46.43%
42	23	-	-	42	23	82.61%
<u>18,427</u>	<u>17,944</u>	<u>943</u>	<u>934</u>	<u>19,370</u>	<u>18,878</u>	<u>2.61%</u>
11,543	10,971	-	-	11,543	10,971	5.21%
4,209	3,606	-	-	4,209	3,606	16.72%
-	-	885	820	885	820	7.93%
<u>1,548</u>	<u>2,274</u>	<u>-</u>	<u>-</u>	<u>1,548</u>	<u>2,274</u>	<u>-31.93%</u>
<u>17,300</u>	<u>16,851</u>	<u>885</u>	<u>820</u>	<u>18,185</u>	<u>17,671</u>	<u>2.91%</u>
1,127	1,093	58	114	1,185	1,207	-1.82%

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$18,427,578 and expenses were \$17,300,063. Revenues from governmental activities were \$1,127,515 greater than the expenditures for governmental activities.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-07	2007	2006	Change 2006-07
	\$	\$		\$	\$	
Instruction	11,543	10,971	5.21%	8,440	7,403	14.01%
Support Services	4,209	3,606	16.72%	4,019	3,475	15.65%
Other expenses	<u>1,548</u>	<u>2,274</u>	<u>-31.93%</u>	<u>351</u>	<u>1,359</u>	<u>-74.17%</u>
Totals	<u>17,300</u>	<u>16,851</u>	<u>2.66%</u>	<u>12,810</u>	<u>12,237</u>	<u>4.68%</u>

- The cost financed by users of the District's programs was \$1,365,879.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,186,278.
- The net cost of governmental activities was financed with \$5,410,045 in property tax, \$6,796,816 in state foundation aid, and \$15,108 in interest income.

Proprietary-Type Activities

Revenues for the District's School Nutrition Fund were \$943,237 and expenses were \$885,056. The revenues include: charges for services, contributions, and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold, and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks, and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, school employee groups, and such groups as Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks for these groups when directed by the group. These funds are not to be used to support the regular operations of the District.

INDIVIDUAL FUND ANALYSIS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$9,246,266, which is 14% greater than last year's ending fund balance of \$8,118,751.

Governmental Fund Highlights

- The District has been controlling the decline of its General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District has helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District is using local option sales tax dollars to add a gym and auditorium to the senior high school.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

Actual revenues exceeded budgeted amounts by 2% primarily due to additional income surtax and increased tuition from out of the district students. Actual expenses were less than budgeted amounts by 6%. This was due to the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. Also, the budget was amended to reflect a \$5,448,000 primarily for new construction. As a result, the District's certified budget should always exceed the actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2007, the District has invested more than \$10.8 million (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses and other vehicles, library holdings and textbooks. Total depreciation for the year exceeded \$378,000.

Long-term Debt

The District continues to pay off general obligation school bonds. The remaining \$790,000 worth of bonds carries with them interest costs of \$26,180. The principal and interest on the bonds will be paid in full by June 1, 2009. The District makes principal and interest payments yearly on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The District issued \$4,300,000 of revenue bonds for the construction of an addition to the high school in October 2005. \$3,825,000 remain to be paid over the next 7 years with proceeds from the local option sales tax.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District levied \$210,000 allowable growth for dropout prevention.
- The District's employee group health insurance had only a .84% increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the district increased \$358,121 from fiscal year 2006 to fiscal year 2007. Property tax dollars for the General Fund decreased \$309,810 from fiscal year 2006 to fiscal year 2007.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax. This will allow the District to maintain current programs without dipping into existing reserves.
- The Greenview Alternative High School in Waverly, is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community Schools, 1415 4th Avenue SW, Waverly, Iowa 50677.

Basic Financial Statements

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	Governmental Activities	Business Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	3,886,600	163,091	4,049,691
Receivables:			
Property tax:			
Current year	82,828	-	82,828
Succeeding year	5,619,696	-	5,619,696
Succeeding year income surtax	498,949	-	498,949
Due from other governments	585,139	36,757	621,896
Other receivables	383	-	383
Inventories	-	21,643	21,643
Prepaid expenses	3,025	-	3,025
Capital assets, net of accumulated depreciation (note 3)	10,822,826	77,439	10,900,265
Total assets	<u>21,499,446</u>	<u>298,930</u>	<u>21,798,376</u>
Liabilities			
Accounts payable	326,013	-	326,013
Accrued salary and benefits	1,244,174	12,771	1,256,945
Retainage payable	127,688	-	127,688
Accrued interest payable	12,896	-	12,896
Deferred revenue:			
Succeeding year property tax	5,619,696	-	5,619,696
Long term liabilities:			
Portion due within one year:			
General obligation bonds payable	390,000	-	390,000
Revenue bonds payable	490,000	-	490,000
Early retirement payable	307,713	-	307,713
Portion due after one year:			
General obligation bonds payable	400,000	-	400,000
Revenue bonds payable	3,335,000	-	3,335,000
Total liabilities	<u>12,253,180</u>	<u>12,771</u>	<u>12,265,951</u>
Net assets			
Invested in capital assets, net of related debt	6,207,826	77,439	6,285,265
Restricted for:			
Debt service	113,930	-	113,930
Physical plant and equipment levy	274,801	-	274,801
Capital projects	-	-	-
Health insurance	421,765	-	421,765
Unrestricted	2,227,944	208,720	2,436,664
Total net assets	<u>9,246,266</u>	<u>286,159</u>	<u>9,532,425</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	\$	\$	\$	\$	\$	\$
Instruction:	11,543,047	1,215,553	1,887,025	(8,440,469)	-	(8,440,469)
Support services:						
Student services	342,361	-	-	(342,361)	-	(342,361)
Instructional staff services	563,623	-	-	(563,623)	-	(563,623)
Administration services	1,374,027	-	-	(1,374,027)	-	(1,374,027)
Operation and maintenance of plant services	1,265,496	39,224	-	(1,226,272)	-	(1,226,272)
Transportation services	663,258	-	-	(512,932)	-	(512,932)
	4,208,765	39,224	-	(4,019,215)	-	(4,019,215)
Other expenditures:						
Facilities acquisition	405,582	-	600,078	194,496	-	194,496
Interest on long term debt	175,092	792	-	(174,300)	-	(174,300)
Long-term debt service	400	-	-	(400)	-	(400)
AEA flowthrough	596,701	596,701	-	-	-	-
Depreciation (unallocated)*	370,476	-	-	(370,476)	-	(370,476)
	1,548,251	597,493	600,078	(350,680)	-	(350,680)
Total governmental activities	17,300,063	2,523,742	600,078	(12,810,364)	-	(12,810,364)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Expenses	\$	\$	\$	\$	\$	\$
Business Type activities:						
Non-instructional programs:						
Nutrition services	885,056	675,110	268,127	-	58,181	58,181
Total	18,185,119	2,040,989	2,791,869	(12,810,364)	58,181	(12,752,183)
General revenues:						
Property tax levied for:						
General purposes				4,500,339	-	4,500,339
Management fund				373,234	-	373,234
Debt service				382,002	-	382,002
Capital outlay				154,470	-	154,470
Income surtax				597,443	-	597,443
Local option sales tax				1,076,045	-	1,076,045
Unrestricted state grants				6,796,816	-	6,796,816
Unrestricted investment earnings				15,108	-	15,108
Other				42,422	-	42,422
Total general revenue				13,937,879	-	13,937,879
Change in net assets				1,127,515	58,181	1,185,696
Net assets beginning of year				8,118,751	227,978	8,346,729
Net assets end of year				9,246,266	286,159	9,532,425

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$	\$
Cash and pooled investments	2,792,302	272,020	107,210	8,406	285,280	3,465,218
Receivables:						
Property tax:						
Current year	68,206	2,781	6,720	-	5,121	82,828
Succeeding year	4,550,381	161,822	408,980	-	498,513	5,619,696
Income surtax	498,949	-	-	-	-	498,949
Due from other governments	429,607	-	-	155,532	-	585,139
Prepaid expenses	3,025	-	-	-	-	3,025
Total assets	<u>8,342,470</u>	<u>436,623</u>	<u>522,910</u>	<u>163,938</u>	<u>788,914</u>	<u>10,254,855</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	50,587	-	-	275,426	-	326,013
Accrued salary and benefits	1,244,174	-	-	-	-	1,244,174
Retainage payable	-	-	-	127,688	-	127,688
Deferred revenue:						
Succeeding year property tax	4,550,381	161,822	408,980	-	498,513	5,619,696
Succeeding year income surtax	498,949	-	-	-	-	498,949
Total liabilities	<u>6,344,091</u>	<u>161,822</u>	<u>408,980</u>	<u>403,114</u>	<u>498,513</u>	<u>7,816,520</u>
Fund balances:						
Reserved for debt service	-	-	113,930	-	-	113,930
Reserved for capital projects	-	-	-	-	-	-
Unreserved	1,998,379	274,801	-	(239,176)	290,401	2,324,405
Total fund balances	<u>1,998,379</u>	<u>274,801</u>	<u>113,930</u>	<u>(239,176)</u>	<u>290,401</u>	<u>2,438,335</u>
Total liabilities and fund balances	<u>8,342,470</u>	<u>436,623</u>	<u>522,910</u>	<u>163,938</u>	<u>788,914</u>	<u>10,254,855</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2007

Total fund balances of governmental funds (Exhibit C)	\$ 2,438,335
Amounts reported for governmental activities in the statement of net assets are different because:	
Income surtax receivable at June 30, 2007 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	498,949
Internal Service fund assets that are to be included with governmental funds.	421,765
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	10,822,826
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(12,896)
Long-term liabilities, including bonds payable and early retirement payments are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	<u>(4,922,713)</u>
Net assets of governmental activities (Exhibit A)	<u><u>\$ 9,246,266</u></u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Non-major	Total
	\$	\$	\$	\$	\$	\$
Revenues:						
Local sources:						
Local tax	5,063,096	154,470	382,002	1,076,045	373,234	7,048,847
Tuition	942,258	-	-	-	-	942,258
Other	471,695	20,771	484	600,078	716,652	1,809,680
State sources	8,161,708	124	308	-	321	8,162,461
Federal sources	417,334	-	-	-	-	417,334
Total revenues	15,056,091	175,365	382,794	1,676,123	1,090,207	18,380,580
Expenditures:						
Instruction:	10,457,022	-	-	-	886,836	11,343,858
Support services						
Student services	342,361	-	-	-	-	342,361
Instructional staff services	563,623	-	-	-	-	563,623
Administration services	1,269,040	-	-	-	104,987	1,374,027
Operation and maintenance of plant services	1,283,961	16,044	-	-	61,329	1,361,334
Transportation services	573,621	74,211	-	-	15,426	663,258
	4,032,606	90,255	-	-	181,742	4,304,603
Other expenditures						
Facilities acquisition	-	59,483	-	4,626,873	-	4,686,356
Principal on long-term debt	-	-	855,000	-	-	855,000
Interest on long-term debt	-	-	179,260	-	-	179,260
Long-term debt services	-	-	400	-	-	400
AEA flowthrough	596,701	-	-	-	-	596,701
	596,701	59,483	1,034,660	4,626,873	-	6,317,717
Total expenditures	15,086,329	149,738	1,034,660	4,626,873	1,068,578	21,966,178

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2007

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Non-major	Total
	\$	\$	\$	\$	\$	\$
(Deficiency) of revenues (under) expenditures	(30,238)	25,627	(651,866)	(2,950,750)	21,629	(3,585,598)
Other financing sources (uses):						
Sale of materials and equipment	12,312	-	-	-	-	12,312
Operating transfers in	-	-	628,080	-	-	628,080
Operating transfers out	-	-	-	(628,080)	-	(628,080)
	12,312	-	628,080	(628,080)	-	12,312
Net change in fund balance	(17,926)	25,627	(23,786)	(3,578,830)	21,629	(3,573,286)
Fund balances beginning of year	2,016,305	249,174	137,716	3,339,654	268,772	6,011,621
Fund balances end of year	1,998,379	274,801	113,930	(239,176)	290,401	2,438,335

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2007

Net change in fund balances - total governmental funds (Exhibit E) \$ (3,573,286)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 34,686

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 4,376,612	
Depreciation expense	<u>(370,476)</u>	4,006,136

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities. 855,000

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Additions	(307,713)	
Payments	<u>197,283</u>	(110,430)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 4,168

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. (88,759)

Change in net assets of governmental activities (Exhibit B) \$ 1,127,515

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2007

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	
Assets		
Cash and pooled investments	163,091	421,382
Other receivables	36,757	383
Inventories	21,643	-
Capital assets, net of accumulated depreciation	77,439	-
Total assets	<u>298,930</u>	<u>421,765</u>
Liabilities		
Accrued salary and benefits	<u>12,771</u>	<u>-</u>
Total liabilities	<u>12,771</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	77,439	-
Restricted for health insurance	-	421,765
Unrestricted	<u>208,720</u>	<u>-</u>
Total net assets	<u>286,159</u>	<u>421,765</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2007

	Business Type	Governmental Activities
	School Nutrition	Internal Service
	\$	\$
Operating revenue:		
Local sources:		
Charges for services	<u>675,110</u>	<u>1,009,510</u>
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	360,953	-
Benefits	49,507	-
Supplies	466,424	-
Depreciation	<u>8,172</u>	<u>-</u>
	<u>885,056</u>	<u>-</u>
Internal service programs:		
Benefits	<u>-</u>	<u>1,098,269</u>
Total operating expenses	<u>885,056</u>	<u>1,098,269</u>
Operating profit (loss)	<u>(209,946)</u>	<u>(88,759)</u>
Non-operating revenues:		
State sources	9,100	-
Federal sources	<u>259,027</u>	<u>-</u>
	<u>268,127</u>	<u>-</u>
Net change in assets	58,181	(88,759)
Net assets beginning of year	<u>227,978</u>	<u>510,524</u>
Net assets end of year	<u><u>286,159</u></u>	<u><u>421,765</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2007

	<u>Enterprise</u> School Nutrition \$	<u>Internal</u> Service Health Insurance \$
Cash flows from operating activities:		
Cash received from sale of services	642,962	1,009,230
Cash payments to employees for services	(427,606)	(1,098,269)
Cash payments to suppliers for goods or services	(412,337)	-
Net cash provided by (used in) operating activities	<u>(196,981)</u>	<u>(89,039)</u>
Cash flows from non-capital financing activities:		
State grants received	9,100	-
Federal grants received	193,292	-
Net cash provided by non-capital financing activities	<u>202,392</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	5,411	(89,039)
Cash and cash equivalents beginning of year	<u>157,680</u>	<u>510,421</u>
Cash and cash equivalents end of year	<u><u>163,091</u></u>	<u><u>421,382</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:		
Operating income (loss)	(209,946)	(88,759)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:		
Depreciation	8,172	-
Commodities used	65,735	-
(Increase) in other receivables	(32,148)	(280)
(Increase) in inventory	(11,648)	-
(Decrease) in accrued payroll and benefits	(17,146)	-
	<u>(196,981)</u>	<u>(89,039)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:		
Current assets:		
Cash	<u><u>163,091</u></u>	<u><u>421,382</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2007, the District received federal commodities valued at \$65,735.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2007

	Private Purpose Trusts	Agency Funds	Total
	\$	\$	\$
Assets			
Cash and pooled investments	96,387	98,577	194,964
Total assets	96,387	98,577	194,964
Liabilities			
Other payables	-	98,577	98,577
Net Assets			
Reserved for scholarships	72,693	-	72,693
Unreserved, undesignated	23,694	-	23,694
Total net assets	96,387	-	96,387

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2007

	Private Purpose <u>Trusts</u> \$
Additions:	
Local sources:	
Interest on investments	697
Contributions	<u>34,701</u>
Total additions	<u>35,398</u>
Deductions:	
Support services:	
Supplies	28,372
Scholarships	<u>1,300</u>
Total deductions	<u>29,672</u>
Change in net assets	5,726
Net assets beginning of year	<u>90,661</u>
Net assets end of year	<u><u>96,387</u></u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly and Shell Rock, Iowa, and agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2007.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the other expenditure function.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>83,595</u>	<u>-</u>	<u>-</u>	<u>83,595</u>
Capital assets being depreciated:				
Buildings	11,082,259	5,716,770	-	16,799,029
Improvements other than buildings	450,319	-	-	450,319
Furniture and Equipment	3,426,200	95,838	-	3,522,038
Construction in progress	<u>1,457,817</u>	<u>-</u>	<u>1,435,996</u>	<u>21,821</u>
Total capital assets being depreciated	<u>16,416,595</u>	<u>5,812,608</u>	<u>1,435,996</u>	<u>20,793,207</u>
Less accumulated depreciation for:				
Buildings	5,951,799	335,981	-	6,287,780
Improvements other than buildings	340,858	22,516	-	363,374
Furniture and Equipment	<u>3,390,843</u>	<u>11,980</u>	<u>-</u>	<u>3,402,823</u>
Total accumulated depreciation	<u>9,683,500</u>	<u>370,476</u>	<u>-</u>	<u>10,053,976</u>
Total capital assets being depreciated, net	<u>6,733,095</u>	<u>5,442,132</u>	<u>1,435,996</u>	<u>10,739,231</u>
Governmental activities, capital assets, net	<u>6,816,690</u>	<u>5,442,132</u>	<u>1,435,996</u>	<u>10,822,826</u>
Business type activities:				
Furniture and Equipment	207,094	-	-	207,094
Less accumulated depreciation	<u>121,483</u>	<u>8,172</u>	<u>-</u>	<u>129,655</u>
	<u>85,611</u>	<u>(8,172)</u>	<u>-</u>	<u>77,439</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>370,476</u>
Business type activities:				
Food service operations				<u>8,172</u>

(4) General Obligation Bonds Payable

The District refinanced its outstanding bonded indebtedness on June 30, 2003. All previous indebtedness was paid off. Interest savings are estimated to be \$223,913. Details of the District's June 30, 2007 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates %</u>	<u>Principal \$</u>	<u>Interest \$</u>	<u>Total \$</u>
2008	2.20	390,000	18,580	408,580
2009	2.50	<u>400,000</u>	<u>10,000</u>	<u>410,000</u>
Total		<u>790,000</u>	<u>28,580</u>	<u>818,580</u>

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds Payable</u>	<u>Early Retirement Payable</u>	<u>Total</u>
Balance beginning of year	\$1,170,000	4,300,000	197,283	5,667,283
Additions	-	-	307,713	307,713
Reductions	<u>380,000</u>	<u>475,000</u>	<u>197,283</u>	<u>1,052,283</u>
Balance end of year	<u>\$ 790,000</u>	<u>3,825,000</u>	<u>307,713</u>	<u>4,922,713</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll, for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$519,508, \$504,645, and \$472,387 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$596,701 for year ended June 30, 2007 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2007 totaled \$197,283.

(9) Risk Management

Waverly-Shell Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contingencies

The District is currently involved in legal action in regards to an accident involving a district vehicle. Per communication with legal counsel, no probable outcome can be determined, however, the District will be covered by its existing insurance coverage for any damages less the District's deductible. Due to the uncertainty of outcome and insurance coverage, no provision for liability has been included in the financial statements.

(11) Revenue Bonds Payable

Details of the District's June 30, 2007 revenue bonds is as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Interest	Principal	Total
	%	\$	\$	\$
2008	3.56	136,170	490,000	626,170
2009	3.56	118,726	510,000	628,726
2010	3.56	100,570	525,000	625,570
2011	3.56	81,880	545,000	626,880
2012	3.56	62,478	565,000	627,478
2013	3.56	42,364	585,000	627,364
2014	3.56	<u>21,538</u>	<u>605,000</u>	<u>626,538</u>
Total		<u>563,726</u>	<u>3,825,000</u>	<u>4,388,726</u>

(12) Commitments

- A) The District had materially completed the first phase of an addition to the high school at June 30, 2007. Total costs for the project exceeded six million dollars. The following figures are as of June 30, 2007:

Projects costs yet to be incurred	\$235,164
Retainage	127,688
Accounts payable	275,426

- B) The District sold the old bus garage property with closing to take place after June 30, 2007.

- C) The District sold \$2,780,000 of revenue bonds in July, 2007 to be used for another phase of constructing an addition to the high school.

(13) Financial Condition

The Capital Projects Fund had a deficit fund balance of \$239,176 at June 30, 2007.

Required Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2007

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts	Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final
Revenues	\$	\$	\$	\$	\$
Local sources	9,800,785	675,110	10,475,895	10,539,693	10,539,693
State sources	8,162,461	9,100	8,171,561	7,929,676	7,929,676
Federal sources	417,334	259,027	676,361	460,000	460,000
Total revenues	18,380,580	943,237	19,323,817	18,929,369	18,929,369
Expenditures					
Instruction	11,343,858	-	11,343,858	11,328,851	12,148,851
Support services	4,304,603	-	4,304,603	4,669,789	4,692,789
Non-instructional programs	-	885,056	885,056	1,355,000	1,355,000
Other expenditures	6,317,717	-	6,317,717	1,595,529	6,200,529
Total expenditures	21,966,178	885,056	22,851,234	18,949,169	24,397,169
Excess (deficiency) of revenues over (under) expenditures	(3,585,598)	58,181	(3,527,417)	(19,800)	(5,467,800)
Other financing sources (uses)	12,312	-	12,312	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,573,286)	58,181	(3,515,105)	(19,800)	(5,467,800)
Balance beginning of year	6,011,621	227,978	6,239,599	1,931,907	1,931,907
Balance end of year	2,438,335	286,159	2,724,494	1,912,107	(3,535,893)

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$5,448,000.

During the year ended June 30, 2007, expenditures exceeded the amount budgeted in the other expenditures function. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2007

	<u>Management</u>	<u>Student</u>	<u>Total</u>
	\$	\$	\$
Assets			
Cash and pooled investments	61,153	224,127	285,280
Property tax receivable:			
Current year	5,121	-	5,121
Succeeding year	<u>498,513</u>	<u>-</u>	<u>498,513</u>
Total assets	<u>564,787</u>	<u>224,127</u>	<u>788,914</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	498,513	-	498,513
Unreserved fund balances	<u>66,274</u>	<u>224,127</u>	<u>290,401</u>
Total liabilities and fund balances	<u>564,787</u>	<u>224,127</u>	<u>788,914</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2007

	<u>Management</u>	<u>Student</u>	<u>Total</u>
	\$	\$	\$
Revenues:			
Local sources:			
Local tax	373,234	-	373,234
Other	18,008	698,644	716,652
State sources	<u>321</u>	<u>-</u>	<u>321</u>
Total revenues	<u>391,563</u>	<u>698,644</u>	<u>1,090,207</u>
Expenditures:			
Instruction:			
Instruction	177,782	709,054	886,836
Support services:			
General administration	104,987	-	104,987
Plant operation and maintenance	61,329	-	61,329
Student transportation	15,426	-	15,426
Other expenditures:			
Facilities acquisition and construction	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>359,524</u>	<u>709,054</u>	<u>1,068,578</u>
Excess (deficiency) of revenues over (under) expenditures	32,039	(10,410)	21,629
Fund balances beginning of year	<u>34,235</u>	<u>234,537</u>	<u>268,772</u>
Balance end of year	<u><u>66,274</u></u>	<u><u>224,127</u></u>	<u><u>290,401</u></u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Vocal Music	1,313	14,804	11,516	4,601
JH Variety Vocal	1,370	7,845	5,953	3,262
Instrumental Music	1,014	8,692	9,590	116
Elementary Band	1,472	2,795	2,850	1,417
Miscellaneous Sports	806	25,498	26,796	(492)
JH Track	16	233	543	(294)
Cross Country	115	3,267	3,030	352
Boys Basketball	67	33,357	33,776	(352)
JH Boys Basketball	53	2,042	1,957	138
Football	347	25,440	25,513	274
JH Football	100	2,673	2,483	290
Boys Soccer	85	18,451	17,710	826
Baseball	10	19,931	18,314	1,627
Boys Track	74	5,846	6,022	(102)
Boys Tennis	179	2,037	1,633	583
Boys Golf	243	1,923	1,183	983
Wrestling	130	46,612	46,143	599
Weightlifting	1,679	15,146	13,486	3,339
JH Wrestling	79	650	727	2
Girls Basketball	210	5,163	5,885	(512)
JH Girls Basketball	88	2,105	1,433	760
Girls Volleyball	198	16,349	16,336	211
JH Girls Volleyball	84	1,889	1,801	172
Girls Soccer	1,651	12,919	13,569	1,001
Girls Softball	1,809	11,289	12,596	502
Girls Track	21	4,798	3,905	914
Girls Tennis	645	612	969	288
Girls Golf	298	620	461	457
Dance Team	583	2,924	3,197	310
Masquers	2,454	3,502	2,734	3,222
Art Club	826	3,049	2,676	1,199
Boys W Club	1,124	-	252	872
Science Club	5,129	3,888	1,010	8,007
National Honor Society	268	3,245	3,622	(109)
Publications	1,776	-	-	1,776
Student Senate	602	6,673	4,788	2,487
Student Lounge	3,871	10,935	10,977	3,829
SADD	483	-	-	483
Class of 2009	100	12	-	112
Class of 2010	178	-	-	178
Class of 2007	906	3,338	4,156	88
Class of 2008	(207)	3,146	2,251	688
Varsity Club	1,259	1,422	2,338	343
Annual	26,524	27,589	40,631	13,482
Guidance Transcripts	2,463	1,253	912	2,804

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
French Club	2,006	3,360	3,512	1,854
Spanish Club Student Accounts	8,361	8,847	7,191	10,017
Spanish Club Operating Accounts	1,990	1,635	1,853	1,772
FFA	2,344	27,879	27,799	2,424
German Club	707	273	237	743
DECA	1,901	24,455	22,372	3,984
String Music	571	3,914	4,980	(495)
Cheerleaders	-	8,522	7,661	861
Band Uniform Cleaning	552	360	746	166
HS Basketball Cheerleaders	11	1,067	1,324	(246)
HS Wrestling Cheerleaders	-	2,157	1,972	185
JH Cheerleaders	1,023	172	29	1,166
JH Student Council	3,068	6,605	8,254	1,419
JH Activity	11,511	15,649	11,969	15,191
JH Annual	2,114	1,176	1,293	1,997
JH Cookie Sales	813	3,450	3,289	974
Trapshooting	-	150	68	82
Junior High Band Rental & Repair	1,867	1,783	2,521	1,129
Irving Account	837	1,162	1,449	550
Buxton TAG	1,221	985	1,112	1,094
Shell Rock Activity Fund	3,696	4,148	4,034	3,810
Carey Account	2,110	954	721	2,343
Carey Second Grade - Mrs. Howell	50	-	-	50
West Cedar Account	384	886	903	367
MOC	221	203	232	192
Elementary Chorus - Hansen	3	582	558	27
Athletic Director	1,764	7,810	7,895	1,679
Wizard of Oz	-	1,356	51	1,305
German Club Obligations	1,574	1,838	1,282	2,130
Other Activities	41,193	2,078	10,665	32,606
Pictures	2,059	15	747	1,327
Christmas Card	3,629	2,203	1,700	4,132
Change Fund	(998)	6,086	6,240	(1,152)
Books	3,564	10,436	11,513	2,487
Activity Tickets	1,910	1,187	202	2,895
School Lunch	1,434	3,157	3,435	1,156
Transportation pop	250	1,442	1,170	522
W-SR Wilderness	2,698	4,593	6,775	516
Instrumental Repair	(41)	1,890	1,755	94
HS Strings Fundraising	(391)	1,278	-	887
PE Stores	1,764	3,720	1,535	3,949
String Music Stores	-	34	40	(6)
Band Stores - High School	(42)	955	796	117
Calculators - HS Math Dept	(979)	5,683	4,114	590
SH Band Fundraiser	2,015	43,992	44,955	1,052
Home Ec Stores	775	565	612	728

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Ind Tech Stores - HS	(3,620)	19,578	19,137	(3,179)
HS Pop	5,132	3,037	3,260	4,909
High School Library	748	2,082	2,572	258
JH Courtesy	119	340	512	(53)
JH Band Stores	(3)	601	990	(392)
JH Tech Stores	(36)	1,259	572	651
JH Library	47	1,336	375	1,008
Shop Group Shell Rock	454	76	73	457
JH Chess Club	17	-	15	2
JH Video Club	606	50	328	328
Shell Rock Pop	711	902	591	1,022
Entrepreneurship Class	638	23,930	24,025	543
Recycling - Carlson	688	125	-	813
Bus Buddies	946	-	-	946
JH Home Economics	1,502	2,856	1,678	2,680
Southeast Library	38	15	-	53
Carey Library	111	125	80	156
Irving Library	13	163	-	176
Shell Rock Library	106	48	48	106
JH Art	1,920	323	-	2,243
West Cedar Library	50	60	-	110
Southeast School	5,541	3,350	5,657	3,234
Business Office - Miscellaneous	126	1,190	1,238	78
TAG Award	168	1,290	1,994	(536)
JH Plus Program	-	7	7	-
B&K Homeroom	304	304	304	304
Irving Transportation Donation	1,732	914	1,243	1,403
Irving Playground Account	252	-	-	252
Mr. Winter's Account	1,049	4,314	1,494	3,869
HS Character Counts	89	241	-	330
HS Vocal Music Fund Raising	-	8,444	8,444	-
Human Rights Group	32	32	32	32
HS Vocal Music	12,299	-	12,299	-
HS Vocal Music Account	9,596	2,027	2,462	9,161
HS Vocal Music Trips	-	7,426	6,400	1,026
HS Musical	4,145	6,225	4,169	6,201
HS Vocal Music Uniform Account	3,886	2,033	740	5,179
D Wiltse Transportation Donation	8	-	-	8
High School Jazz	2,795	1,366	3,093	1,068
String Rental	(238)	347	227	(118)
Transportation - West Cedar	970	826	305	1,491
Elem Art Contest	33	-	-	33
Elem Art	117	-	95	22
Mrs. Ribich Class Project	39	-	-	39
Elem & JH String Rentals	(75)	1,090	869	146
Elem & JH String Stores	177	921	938	160

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2007

Account	Balance Beginning of Year \$	Revenues \$	Expenditures \$	Balance End of Year \$
JH Tech Center	(98)	139	-	41
JH Math	636	-	6	630
PLUS Program Math Competition	(95)	1,260	1,022	143
SH Transportation Monies	474	43	-	517
HS Donation (Bock)	1,817	-	-	1,817
HS Front Door Donations	-	500	-	500
Walton Donation (Bock)	285	250	1,632	(1,097)
Mrs Whitney/Mrs Podhajsky	215	-	164	51
7th Grade Team	1,670	4,534	5,479	725
8th Grade Team	536	280	624	192
Flex Team (Green)	1,325	518	976	867
Encore Team	580	1,515	1,409	686
JH Teachers Association	32	240	116	156
JH SLI	961	224	480	705
HS Advance Placement	675	5,234	3,595	2,314
JH Juice	258	-	-	258
Total	234,537	698,644	709,054	224,127

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	Carey Parents	William Wood Scholarship	W. Cedar Parents	Dierks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE	DECA Student Account
	\$	\$	\$	\$	\$	\$	\$	\$
Cash and pooled investments	3,795	1,465	7,001	50,226	21,002	431	130	979
	<u>3,795</u>	<u>1,465</u>	<u>7,001</u>	<u>50,226</u>	<u>21,002</u>	<u>431</u>	<u>130</u>	<u>979</u>
Net Assets								
Reserved for scholarships	-	1,465	-	50,226	21,002	-	-	-
Unreserved	<u>3,795</u>	<u>-</u>	<u>7,001</u>	<u>-</u>	<u>-</u>	<u>431</u>	<u>130</u>	<u>979</u>
	<u>3,795</u>	<u>1,465</u>	<u>7,001</u>	<u>50,226</u>	<u>21,002</u>	<u>431</u>	<u>130</u>	<u>979</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	Irving T. Hirst	HS Special Education	West Cedar Rozen	Carey Clausing	Shell Rock Huberg	Shell Rock Greenlee	Shell Rock Obermeier	Jr High Harrell
	\$	\$	\$	\$	\$	\$	\$	\$
	(86)	2,290	229	62	207	448	211	280
	(86)	2,290	229	62	207	448	211	280
Assets								
Cash and pooled investments								
	(86)	2,290	229	62	207	448	211	280
	(86)	2,290	229	62	207	448	211	280
Net Assets								
Reserved for scholarships	-	-	-	-	-	-	-	-
Unreserved	(86)	2,290	229	62	207	448	211	280
	(86)	2,290	229	62	207	448	211	280

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	HS Inclusion	HS Art Kiln	Irving Grant	High School Podhajsky	Jerry Greenlee Memorial	Joan Greenlee WalMart	Total
	\$	\$	\$	\$	\$	\$	\$
Assets							
Cash and pooled investments	170	403	5,577	721	(8)	854	96,387
	170	403	5,577	721	(8)	854	96,387
Net Assets							
Reserved for scholarships	-	-	-	-	-	-	72,693
Unreserved	170	403	5,577	721	(8)	854	23,694
	170	403	5,577	721	(8)	854	96,387

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	Carey Parents	William Wood Scholarship	W. Cedar Parents	Diercks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	14	-	683	-	-	-
Contributions	6,909	1,451	13,164	-	4,704	-	-
	<u>6,909</u>	<u>1,465</u>	<u>13,164</u>	<u>683</u>	<u>4,704</u>	<u>-</u>	<u>-</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	12,497	-	11,412	-	-	-	-
Other	-	-	-	700	600	-	-
	<u>12,497</u>	<u>-</u>	<u>11,412</u>	<u>700</u>	<u>600</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(5,588)	1,465	1,752	(17)	4,104	-	-
Balance beginning of year	9,383	-	5,249	50,243	16,898	431	130
Balance end of year	<u>3,795</u>	<u>1,465</u>	<u>7,001</u>	<u>50,226</u>	<u>21,002</u>	<u>431</u>	<u>130</u>

Waverly-Shell Rock Community School District

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	HS Special Education	Irving Hirst	Jr High T Bardal	West Cedar Rozen	Carey Clausing	Shell Rock Huberg	Shell Rock Greenlee
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	-	-	-	-	-	-
Contributions	118	118	-	118	118	119	118
	<u>118</u>	<u>118</u>	<u>-</u>	<u>118</u>	<u>118</u>	<u>119</u>	<u>118</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	781	285	114	170	134	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>781</u>	<u>285</u>	<u>114</u>	<u>170</u>	<u>134</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(663)	(167)	(114)	(52)	(16)	119	118
Balance beginning of year	<u>2,953</u>	<u>81</u>	<u>114</u>	<u>281</u>	<u>78</u>	<u>88</u>	<u>330</u>
Balance end of year	<u><u>2,290</u></u>	<u><u>(86)</u></u>	<u><u>-</u></u>	<u><u>229</u></u>	<u><u>62</u></u>	<u><u>207</u></u>	<u><u>448</u></u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	Jr High Jamison	Jr High Harrell	High School Podhajsky	HS Inclusion	HS Art Kiln	Irving Grant	Jerry Greenlee Memorial
	\$	\$	\$	\$	\$	\$	\$
Revenues:							
Local sources:							
Interest on investments	-	-	-	-	-	-	-
Contributions	118	118	-	187	-	5,577	250
	<u>118</u>	<u>118</u>	<u>-</u>	<u>187</u>	<u>-</u>	<u>5,577</u>	<u>250</u>
Expenditures:							
Instruction:							
Regular instruction:							
Supplies	199	65	515	17	-	-	1,136
Other	-	-	-	-	-	-	-
	<u>199</u>	<u>65</u>	<u>515</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>1,136</u>
Excess (deficiency) of revenues over (under) expenditures	(81)	53	(515)	170	-	5,577	(886)
Balance beginning of year	81	227	1,236	-	403	-	878
Balance end of year	<u>-</u>	<u>280</u>	<u>721</u>	<u>170</u>	<u>403</u>	<u>5,577</u>	<u>(8)</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2007

	DECA Student Account	Shell Rock Obermeier	Joan Greenlee WalMart	Southeast Parents	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Interest on investments	-	-	-	-	697
Contributions	599	118	-	797	34,701
	599	118	-	797	35,398
Expenditures:					
Instruction:					
Regular instruction:					
Supplies	227	23	-	797	28,372
Other	-	-	-	-	1,300
	227	23	-	797	29,672
Excess (deficiency) of revenues over (under) expenditures	372	95	-	-	5,726
Balance beginning of year	607	116	854	-	90,661
Balance end of year	979	211	854	-	96,387

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2007

<u>Account</u>	Balance Beginning of Year	Additions	Deductions	Balance End of Year
	\$	\$	\$	\$
"Catch The Spirit" Foundation	1,150	5,935	4,920	2,165
HS Benevolent	44	245	180	109
Irving Social Fund	183	260	322	121
Basketball Booster Club	-	-	-	-
Maintenance Courtesy	11	45	33	23
Transportation Courtesy	2	98	100	-
Irving Parent Account	1,636	22,996	18,913	5,719
Junior High Parent Account	961	45,350	29,224	17,087
Secretary Courtesy	30	132	158	4
Concessions - Athletic Boosters	20,425	57,229	63,077	14,577
Membership - Athletic Boosters	15,639	6,079	18,336	3,382
Athletic Boosters - Facility/Equipment	27,679	40,867	28,906	39,640
Athletic Boosters - Addl Events	14,614	24,433	33,722	5,325
Athletic Booster Resale	3,194	15,776	10,379	8,591
Athletic Boosters Budgeted	547	927	-	1,474
Athletic Boosters Wishlist	113	1,050	1,050	113
Athletic Boosters Operational	100	-	-	100
Afghan Reading Project	3	-	3	-
CPR/AED Fund	10,600	10,152	20,605	147
	<u>96,931</u>	<u>231,574</u>	<u>229,928</u>	<u>98,577</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2007	2006	2005	2004
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	7,048,847	6,376,517	5,495,828	5,065,151
Tuition	942,258	909,463	783,604	709,076
Other	1,809,680	1,825,532	1,501,415	1,265,994
State sources	8,162,461	7,780,538	7,529,667	7,174,426
Federal sources	417,334	449,712	328,804	464,678
Total	<u>18,380,580</u>	<u>17,341,762</u>	<u>15,639,318</u>	<u>14,679,325</u>
Expenditures:				
Instruction	11,343,858	11,075,422	10,234,785	9,190,226
Support services:				
Student	342,361	344,924	334,727	323,479
Instructional staff	563,623	545,859	562,566	581,294
Administration	1,374,027	1,323,877	1,397,024	1,392,269
Operation and maintenance of plant	1,361,334	1,451,174	1,170,050	1,077,131
Transportation	663,258	549,698	519,403	547,643
Other expenditures:				
Facilities acquisition	4,686,356	2,643,509	455,770	356,576
Debt Service				
Principal	855,000	470,000	460,000	455,000
Interest and service charges	179,660	21,697	42,743	57,221
AEA flowthrough	596,701	546,568	544,101	541,453
Total	<u>21,966,178</u>	<u>18,972,728</u>	<u>15,721,169</u>	<u>14,522,292</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY07	<u>65,735</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY07	14,478
National School Lunch Program	10.555	FY07	<u>178,814</u>
			<u>193,292</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6840-G-07	<u>154,679</u>
Title I Neglected and Delinquent Children	84.012	6840-D-07	64,953
Innovative Educational Program Strategies (Title V)	84.298	FY07	2,361
Grants for Assessments and Related Activities	84.369	FY07	13,979
Improving Teacher Quality - Grants to States	84.348	FY07	50,521
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY07	7,599
Special Education - Grants to States (IDEA Part B)	84.027	FY07	96,478
Vocational Education - Basic Grants to States	84.048	FY07	<u>12,685</u>
Total			<u><u>662,282</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Waverly-Shell Rock Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

BRUCE D. FRINK
Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

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- Year Round Tax Planning
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**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Waverly-Shell Rock Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 6, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waverly-Shell Rock Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Waverly-Shell Rock Community School District's financial statements that is more than inconsequential will not be prevented or detected by Waverly-Shell Rock Community School District's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of financial statements will not be prevented or detected by Waverly-Shell Rock Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 07-II-A is a material weakness.

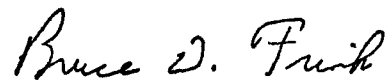
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Waverly-Shell Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 6, 2008

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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To the Board of Education of
Waverly-Shell Rock Community School District:

Compliance

We have audited the compliance of Waverly-Shell Rock Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2007. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Waverly-Shell Rock Community School District's management. Our responsibility is to express an opinion on Waverly-Shell Rock Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Waverly-Shell Rock Community School District's compliance with those requirements.

In our opinion Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over compliance.

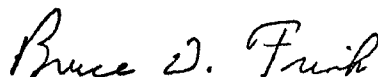
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 07-III-A to be material weakness.

Waverly-Shell Rock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Waverly-Shell Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.



BRUCE D. FRINK
Certified Public Accountant

March 6, 2008

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
 - CFDA Number 84.012 - Title I Neglected and Delinquent ChildrenSchool Nutrition Clustered Programs:
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.553 - School Breakfast Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

07-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult and the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.010 Title I Grants to Local Education Agencies
Agency Numbers: 6840-G-07,
Federal Award Year: 2007
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 84.012 Title I Neglected and Delinquent
Agency Numbers: 6840-D-07
Federal Award Year: 2007
US Department of Education
Passed through Iowa Department of Education

CFDA Number: 10.553 School Breakfast Program
10.555 National School Lunch Program
Federal Award Year: 2007
US Department of Agriculture
Passed through Iowa Department of Education

07-III-A Segregation of Duties over Federal Funds - One important aspect of internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties that are incompatible. The District has done a good job of segregating duties among the present staff, however, the District Secretary continues to have the ability to override the present controls and circumvent the internal control system.

Recommendation - We realize the job description, as defined by the Code of Iowa, of the District Secretary makes the segregation of duties even more difficult as the elimination of the possibility of administrative override of the system improbable. However, we feel the board and the administration should review these policies annually and with each personnel change to insure the best possible control climate is maintained.

Response - We will continue to review procedures to obtain the best controls possible.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Required Statutory Reporting:

07-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007.

07-IV-B Certified Budget - Expenditures for the year ended June 30, 2007, exceeded the certified budget amounts in the other expenditures function.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

07-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

07-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

07-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.

07-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

07-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

07-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

07-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

07-IV-J Financial Condition - The District's Capital Projects Fund had a deficit fund balance of \$239,176 at June 30, 2007.

Recommendation - We recommend that the District come up with solutions to restore this fund to a positive balance.

Response -The District has over \$800,000 in uncollected pledges for this construction project yet to come in.

Conclusion - Response accepted.